

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PALMYRA TOWNSHIP	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 30, 2006	Date Audit Report Submitted to State SEPTEMBER 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

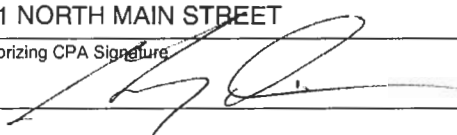
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	LETTER NOT NEEDED THIS YEAR	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON, EATON AND OWEN	Telephone Number 517-265-6154		
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	Zip 49221
Authorizing CPA Signature 	Printed Name GARY OWEN	License Number 1101008646	

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2006**

**WITH  
INDEPENDENT AUDITORS' REPORT**

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**INDEPENDENT AUDITORS' REPORT**

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**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended March 31, 2006**

As management of Palmyra Township, Lenawee County, Michigan, we offer readers of Palmyra Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Palmyra Township, Lenawee County, Michigan for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here.

**Financial Highlights**

- ◆ The assets of Palmyra Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$1,677,194 (*net assets*). Of this amount, \$622,722 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased \$114,984. This increase is attributable to a special assessment and interest income of \$375,601.
- ◆ As of the close of the current year, Palmyra Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$742,457 a decrease of (\$116,365) in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$151,798 or 31 percent of total general fund expenditures.
- ◆ Palmyra Township, Lenawee County, Michigan's total debt was \$151,798 at March 31, 2006. The debt was reduced by \$35,000 during fiscal year 2005-06.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Palmyra Township, Lenawee County, Michigan's basic financial statements. Palmyra Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Palmyra Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Palmyra Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Palmyra Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Palmyra Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Palmyra Township, Lenawee County, Michigan include general government, public safety, streets and highways, sanitation, and cemetery operating. The business-type activity of Palmyra Township, Lenawee County, Michigan is the sewer system.

The government-wide financial statements can be found on pages 5 – 7 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Palmyra Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Palmyra Township, Lenawee County, Michigan can be divided into three categories: governmental, proprietary, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Palmyra Township, Lenawee County, Michigan maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Cemetery Operating, Debt Service, and Cemetery Perpetual Care, which are considered to be major funds.

Palmyra Township, Lenawee County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 8 – 15 of this report.

*Proprietary Fund.* Palmyra Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Palmyra Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Sewer Fund.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide information for the Sewer Fund, which is considered to be major fund of Palmyra Township, Lenawee County, Michigan.

The basic fund financial statements can be found on pages 16 – 18 of this report.

*Fiduciary Fund.* The Fiduciary Fund (Tax Account) is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statements can be found on pages 19 – 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 37 of this report.

**Other information.** The combining statements for the two debt service funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 38 – 39 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Palmyra Township, Lenawee County, Michigan, assets exceeded liabilities by \$1,677,194 at the close of the most recent fiscal year.

By far the largest portion of Palmyra Township, Lenawee County, Michigan's net assets (28 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, sewer system), less any related debt used to acquire those assets that is still outstanding. Palmyra Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Palmyra Township, Lenawee County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Palmyra Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
Current and other assets	\$ 979,977	\$ 2,790,143	\$ 3,770,120	\$ 3,984,136
Capital assets	<u>364,388</u>	<u>2,830,172</u>	<u>3,194,560</u>	<u>3,134,890</u>
Total assets	<u>\$ 1,344,365</u>	<u>\$ 5,620,315</u>	<u>\$ 6,964,680</u>	<u>\$ 7,119,026</u>
Long term liabilities outstanding	260,000	2,470,600	2,730,600	2,756,201
Other liabilities	<u>237,520</u>	<u>2,319,366</u>	<u>2,556,886</u>	<u>2,790,615</u>
Total liabilities	<u>\$ 497,520</u>	<u>\$ 4,789,966</u>	<u>\$ 5,287,486</u>	<u>\$ 5,546,816</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	104,388	359,522	463,960	378,689
Restricted	590,512		590,512	552,213
Unrestricted	<u>151,945</u>	<u>470,777</u>	<u>622,722</u>	<u>641,308</u>
Total net assets	<u>\$ 846,845</u>	<u>\$ 830,349</u>	<u>\$ 1,677,194</u>	<u>\$ 1,572,210</u>

A portion of Palmyra Township, Lenawee County, Michigan's net assets (35 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$622,722) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Financial Analysis of the Government's Funds

As noted earlier, Palmyra Township, Lenawee County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Palmyra Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Palmyra Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$742,457, a decrease of (\$116,365) in comparison with the prior year. The Special Revenue Fund (Cemetery Operating) has \$147 available for their special uses.

The general fund is the chief operating fund of Palmyra Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$151,798.

The fund balance of Palmyra Township, Lenawee County, Michigan's general fund decreased by (\$103,464) during the current fiscal year. A key factor in this decrease was an increase in general fund's expenditures in insurance and contract services of \$30,721.

**Proprietary Fund** - Palmyra Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$470,777.

### General Fund Budgetary Highlights

There is one difference between the original budget and final amended budget. The amendment to the budget was for a transfer of \$2,000 from Community Building and Grounds to Zoning.

### Capital Asset and Debt Administration

**Capital assets.** Palmyra Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$3,194,560 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility system, furniture and equipment, and fire vehicles and equipment. The total increase in Palmyra Township, Lenawee County, Michigan's investment in capital assets for the current fiscal year was \$155,638.

Major capital purchases during the current fiscal year were fire equipment (\$30,000) and sewer system improvements (\$125,638).

### Palmyra Township, Lenawee County, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
Land	\$ 93,898	\$	\$ 93,898	\$ 93,898
Buildings	10,065		10,065	10,336
Furniture and equipment	6,307		6,307	7,458
Fire vehicles and equipment	254,118		254,118	245,947
Sewer system		<u>2,830,172</u>	<u>2,830,172</u>	<u>2,777,251</u>
Total	<u>\$ 364,388</u>	<u>\$ 2,830,172</u>	<u>\$ 3,194,560</u>	<u>\$ 3,134,890</u>

Additional information on Palmyra Township's capital assets can be found in Note 3 C. on pages 29 and 30.

**Long-term debt.** At the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan had total debt outstanding of \$2,730,599. The debt represents the following:

**Palmyra Township, Lenawee County, Michigan's  
Outstanding Debt Revenue Bonds**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Special assessment bonds	\$ 260,000	\$
Sewer bonds		823,611
Sewer – SRF loan	<u>                    </u>	<u>1,646,988</u>
Total	<u>\$ 260,000</u>	<u>\$ 2,470,599</u>

Additional information on Palmyra Township, Lenawee County, Michigan's long-term debt can be found in Note 5, on pages 33 – 37 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The budget for fiscal year 2006-07 is based on prior year's figures. Assumptions used in determining this budget:

State revenue will be the same as prior year.

Property taxes will be the same as prior year.

Impact fees will be the same as prior year.

The large budget change for the fiscal year 2006-07 is loan to Sewer Fund of \$100,000. All other expenditures are in line with prior year.

**Requests for Information**

This financial report is designed to provide a general overview of Palmyra Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Palmyra Township, %Richard Jackson, Clerk, 6081 East U.S. 223, Palmyra, Michigan 49268.

August 30, 2006

## INDEPENDENT AUDITORS' REPORT

Palmyra Township  
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palmyra Township, Lenawee County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Palmyra Township, Lenawee County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palmyra Township, Lenawee County, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 30, 2006

Palmyra Township  
Lenawee County, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006 on our consideration of Palmyra Township, Lenawee County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Palmyra Township, Lenawee County, Michigan's basic financial statements. The combining major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

August 30, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Palmyra Township  
Lenawee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palmyra Township, Lenawee County Michigan, as of and for the year ended March 31, 2006, which collectively comprise Palmyra Township, Lenawee County Michigan's basic financial statements and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Palmyra Township, Lenawee County Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

August 30, 2006

Palmyra Township  
Lenawee County, Michigan

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Palmyra Township, Lenawee County Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Palmyra Township, Lenawee County, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENT OF NET ASSETS**

**March 31, 2006  
With Comparative Totals for March 31, 2005**

	<b>PRIMARY GOVERNMENT</b>			
	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>2006</b>	<b>Total 2005</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 205,095	\$ 434,635	\$ 639,730	\$ 476,657
Investments	528,490		528,490	619,579
Taxes receivable	3,533		3,533	3,742
Special assessments receivable	214,219	2,355,508	2,569,727	2,779,129
Accounts receivable	12,681		12,681	17,616
Sewer project receivables	14,454		14,454	26,311
Due from other governmental units	1,500		1,500	1,500
Due from tax account	5		5	59,602
<b>Capital assets:</b>				
Land	93,898		93,898	93,898
Buildings	141,280		141,280	141,280
Equipment and furniture	11,925		11,925	11,925
Fire vehicles	398,140		398,140	398,140
Fire equipment	152,102		152,102	122,102
Sewer system		2,908,687	2,908,687	2,783,049
Less: Accumulated depreciation	(432,957)	(78,515)	(511,472)	(415,504)
Total assets	<u>\$ 1,344,365</u>	<u>\$ 5,620,315</u>	<u>\$ 6,964,680</u>	<u>\$ 7,119,026</u>
<b>LIABILITIES:</b>				
Accounts payable	27,162		27,162	\$ 47,276
Accrued liabilities	859		859	2,930
Deferred revenue – special assessment	209,499	2,319,366	2,528,865	2,740,409
<b>Noncurrent liabilities:</b>				
Due within one year	30,000	123,779	153,779	148,779
Due in more than one year	<u>230,000</u>	<u>2,346,821</u>	<u>2,576,821</u>	<u>2,607,422</u>
Total liabilities	<u>497,520</u>	<u>4,789,966</u>	<u>5,287,486</u>	<u>5,546,816</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	104,388	359,572	463,960	378,689
<b>Restricted for:</b>				
Perpetual care	48,300		48,300	51,400
Fire apparatus and operating	94,525		94,525	103,704
Fire savings	551		551	551
State right of way	6,958		6,958	3,702
Impact fees	379,759		379,759	322,512
Debt service	60,419		60,419	70,344
Unrestricted	<u>151,945</u>	<u>470,777</u>	<u>622,722</u>	<u>641,308</u>
Total net assets	<u>\$ 846,845</u>	<u>\$ 830,349</u>	<u>\$ 1,677,194</u>	<u>\$ 1,572,210</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENT OF ACTIVITIES**

**For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005**

		<u>Program Revenues</u>		
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 159,665	\$	\$	\$
Public safety	143,891	40,228		
Highways, streets, and bridges	171,026			
Sanitation	2,569			
Cemetery operating expenses	14,873	900		
Interest and Long Term Debt	<u>18,623</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	<u>510,647</u>	<u>41,128</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Sewer Fund	<u>170,417</u>	<u>42,471</u>	<u></u>	<u></u>
Total business-type activities	<u>170,417</u>	<u>42,471</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 681,064</u>	<u>\$ 83,599</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

Property taxes  
Intergovernmental – State  
Licenses and permits  
Interest income  
Lot sales  
Special assessments  
Impact fees  
Miscellaneous

Total general revenues

Change in net assets

Net assets – beginning of year  
Adjustment for Debt Obligation  
Net assets – end of year

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Assets  
Primary Government**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>2006</b>	<b>Total 2005</b>
\$ (159,665)	\$	\$ (159,665)	\$ (84,985)
(103,663)		(103,663)	(92,843)
(171,026)		(171,026)	(189,919)
(2,569)		(2,569)	(25,803)
(13,973)		(13,973)	(9,895)
<u>(18,623)</u>		<u>(18,623)</u>	<u>(15,538)</u>
<u>(469,519)</u>	<u>-</u>	<u>(469,519)</u>	<u>(418,983)</u>
	<u>(127,946)</u>	<u>(127,946)</u>	<u>(79,079)</u>
<u>-</u>	<u>(127,946)</u>	<u>(127,946)</u>	<u>(79,079)</u>
<u>\$ (469,519)</u>	<u>\$ (127,946)</u>	<u>\$ (597,465)</u>	<u>\$ (498,062)</u>
64,031		64,031	65,615
159,391		159,391	157,175
2,439		2,439	2,495
24,842	112,385	137,227	154,254
900		900	1,100
33,213	205,161	238,374	164,969
76,540		76,540	93,615
<u>33,547</u>		<u>33,547</u>	<u>13,808</u>
<u>394,903</u>	<u>317,546</u>	<u>712,449</u>	<u>653,031</u>
(74,616)	189,600	114,984	154,969
931,461	640,749	1,572,210	1,417,241
<u>(10,000)</u>		<u>(10,000)</u>	
<u>\$ 846,845</u>	<u>\$ 830,346</u>	<u>\$ 1,677,194</u>	<u>\$ 1,572,210</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**March 31, 2006  
With Comparative Totals for March 31, 2005**

	<u>Special Revenue</u>			<u>Permanent Fund</u>	<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>Cemetery Operating</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 148,099	\$ (1,003)	\$ 55,699	\$ 2,300	\$ 205,095	\$ 184,248
Investments	482,490			46,000	528,490	619,579
<b>Receivables:</b>						
Accounts	12,681				12,681	17,616
Taxes	3,533				3,533	3,742
Special assessments			214,219		214,219	242,362
Sewer project	14,454				14,454	26,311
Due from other funds	5	1,150			1,155	60,252
Due from other governments	<u>1,500</u>	<u></u>	<u></u>	<u></u>	<u>1,500</u>	<u>1,500</u>
Total assets	<u>\$ 662,762</u>	<u>\$ 147</u>	<u>\$ 269,918</u>	<u>\$ 48,300</u>	<u>\$ 981,127</u>	<u>\$ 1,155,610</u>
<b>LIABILITIES:</b>						
Accounts payable	27,162				27,162	\$ 47,276
Accrued liabilities	859				859	2,930
Due to other funds	1,150				1,150	9,483
Deferred revenue	<u></u>	<u></u>	<u>209,499</u>	<u></u>	<u>209,499</u>	<u>237,099</u>
Total liabilities	<u>29,171</u>	<u>-</u>	<u>209,499</u>	<u>-</u>	<u>238,670</u>	<u>296,788</u>
<b>FUND BALANCES:</b>						
<b>Reserved for:</b>						
Perpetual care				48,300	48,300	51,400
Fire apparatus and operating	94,525				94,525	103,704
Fire savings	551				551	551
State right of way	6,958				6,958	3,702
Impact fees	379,759				379,759	322,512
Debt service			60,419		60,419	70,344
<b>Unreserved, reported in:</b>						
General Fund	151,798				151,798	306,586
Special Revenue Fund	<u></u>	<u>147</u>	<u></u>	<u></u>	<u>147</u>	<u>23</u>
Total fund balances	<u>633,591</u>	<u>147</u>	<u>60,419</u>	<u>48,300</u>	<u>742,457</u>	<u>858,822</u>
Total liabilities and fund balances	<u>\$ 662,762</u>	<u>\$ 147</u>	<u>\$ 269,918</u>	<u>\$ 48,300</u>	<u>\$ 981,127</u>	<u>\$ 1,155,610</u>

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Amounts reported for governmental activities in the  
Statement of Net Assets are different because

Capital assets used in governmental activities are  
are not financial resources and, therefore, are  
not reported in the governmental funds.

\$ 364,388

Bond and loan indebtedness are recognized in the  
governmental funds when paid and not when  
accrued.

\$ (260,000)

Net differences

104,388

Total fund balance in governmental funds

742,457

Total net assets of governmental activities

\$ 846,845

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**

**GOVERNMENTAL FUNDS**

**For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005**

	<u>Special Revenue</u>		<u>Permanent Fund</u>		<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>Cemetery Operating</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
Property taxes	\$ 64,031	\$	\$	\$	\$ 64,031	\$ 65,615
Licenses and permits	2,439				2,439	2,495
Public safety	40,228				40,228	36,796
Intergovernmental revenues	159,391				159,391	157,175
Miscellaneous revenues	30,291				30,291	10,916
Lot sales and fees		900		900	1,800	2,950
Special assessments			33,213		33,213	18,530
Interest	14,348	9	10,485		24,842	25,660
Impact fees	74,952			1,588	76,540	93,615
Maintenance fee	3,256				3,256	2,892
Total revenues	<u>388,936</u>	<u>909</u>	<u>43,698</u>	<u>2,488</u>	<u>436,031</u>	<u>416,644</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	158,242				158,242	99,940
Public safety	152,063				152,063	134,003
Highways, streets, and bridges	171,026				171,026	189,919
Cemetery operating expenses		14,873			14,873	11,745
Sanitation	2,569				2,569	10,265
<b>Debt service:</b>						
Principal			35,000		35,000	25,000
Interest and bank fees			18,623		18,623	15,538
Total expenditures	<u>483,900</u>	<u>14,873</u>	<u>53,623</u>	<u>-</u>	<u>552,396</u>	<u>486,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,964)</u>	<u>(13,964)</u>	<u>(9,925)</u>	<u>2,488</u>	<u>(116,365)</u>	<u>(69,766)</u>
<b>Other financing sources (uses):</b>						
Transfers in		14,088			14,088	6,354
Transfers out	<u>(8,500)</u>			<u>(5,588)</u>	<u>(14,088)</u>	<u>(6,354)</u>
Total other financing sources (uses)	<u>(8,500)</u>	<u>14,088</u>	<u>-</u>	<u>(5,588)</u>		
Net change in fund balances	(103,464)	124	(9,925)	(3,100)	(116,365)	(69,766)
Fund balances - beginning of year	<u>737,055</u>	<u>23</u>	<u>70,344</u>	<u>51,400</u>	<u>858,822</u>	<u>928,588</u>
Fund balances - end of year	<u>\$ 633,591</u>	<u>\$ 147</u>	<u>\$ 60,419</u>	<u>\$ 48,300</u>	<u>\$ 742,457</u>	<u>\$ 858,822</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**March 31, 2006**

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Net change in fund balance – total governmental funds	(116,365)
---	-----------

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities, the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount by  
which capital outlays exceeded depreciation in the current  
period. (Total capital outlay \$30,000 depreciation  
\$23,251).

6,749

The repayment of the principal of long-term debt consumes  
the current financial resources of governmental funds.  
However, this has no effect on net assets. The principal  
payment amount was:

35,000

Change in net assets in governmental activities

\$ (74,616)

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Property taxes:</b>				
General	\$ 65,000	\$ 65,000	\$ 64,031	\$ (969)
<b>Licenses and permits:</b>				
Dog licenses			236	236
Franchise fees	2,200	2,200	2,203	3
Total licenses and permits	2,200	2,200	2,439	239
<b>Public Safety:</b>				
Ambulance service	11,000	11,000	15,158	4,158
Inspection fees	24,000	24,000	25,070	1,070
Total public safety	35,000	35,000	40,228	5,228
<b>Intergovernmental revenues:</b>				
State shared revenues	150,000	150,000	159,391	9,391
<b>Miscellaneous revenues:</b>				
Refunds and dividends	1,000	1,000	3,991	2,991
Hall rent	3,000	3,000	4,005	1,005
Zoning hearings/land division	1,500	1,500	3,940	2,440
Miscellaneous	1,500	1,500	2,557	1,057
Donations			15,798	15,798
Total miscellaneous revenues	7,000	7,000	30,291	23,291
Maintenance fee	2,200	2,200	3,256	1,056
Interest	1,500	1,500	14,348	12,848
Impact fees	80,000	80,000	74,952	(5,048)
Total revenues	342,900	342,900	388,936	46,036

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		
<b>Expenditures:</b>				
<b>General Government</b>				
Supervisor	\$ 11,500	\$ 11,500	\$ 10,219	\$ 1,281
Clerk	12,500	12,500	11,766	734
Treasurer	12,500	12,500	11,552	948
Assessor	19,000	19,000	16,231	2,769
Township Board	41,200	41,200	85,994	(44,794)
Board of Review	800	800	305	495
Zoning	1,200	3,200	2,869	331
Community Building	11,000	9,000	7,328	1,672
Cemetery			350	(350)
Ordinance enforcement	3,500	3,500	3,984	(484)
Payroll expense	<u>9,000</u>	<u>9,000</u>	<u>7,644</u>	<u>1,356</u>
Total General Government	<u>122,200</u>	<u>122,200</u>	<u>158,242</u>	<u>(36,042)</u>
<b>Public Safety:</b>				
Fire Department and ambulance service	106,000	106,000	126,264	(20,264)
Street lights	4,000	4,000	4,061	(61)
Building and electrical Inspections	10,000	10,000	9,902	98
Plumbing/Mechanical Inspections	<u>12,000</u>	<u>12,000</u>	<u>11,836</u>	<u>164</u>
Total Public Safety	<u>132,000</u>	<u>132,000</u>	<u>152,063</u>	<u>(20,063)</u>
Highways, streets and bridges	<u>202,500</u>	<u>202,500</u>	<u>171,026</u>	<u>31,474</u>
<b>Sanitation:</b>				
Drain at large	<u>5,000</u>	<u>5,000</u>	<u>2,569</u>	<u>2,431</u>
Total expenditures	<u>461,700</u>	<u>461,700</u>	<u>483,900</u>	<u>(22,200)</u>
Excess (deficiency) or revenues over (under) expenditures	(118,800)	(118,800)	(94,964)	23,836
<b>Other financing uses:</b>				
Transfers out	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,500)</u>	<u>(500)</u>
Net change in fund balance	(126,800)	(126,800)	(103,464)	23,336
Fund balance – beginning of year			<u>737,055</u>	
Fund balance – end of year			<u>\$ 633,591</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**CEMETERY OPERATING                      SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Final Budget - Positive (Negative)</u></b>
<b>Revenues:</b>				
Lot sales and fees	\$ 1,000	\$ 1,000	\$ 900	\$ (100)
Interest	10	10	9	(1)
Miscellaneous	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>1,010</u>	<u>1,010</u>	<u>909</u>	<u>(101)</u>
<b>Expenditures:</b>				
Cemetery operating expenses	<u>13,537</u>	<u>13,537</u>	<u>14,873</u>	<u>(1,336)</u>
Excess (deficiency) of revenues over (under) expenditures	(12,527)	(12,527)	(13,964)	(1,437)
<b>Other financing sources:</b>				
Transfers in	<u>14,000</u>	<u>14,000</u>	<u>14,088</u>	<u>88</u>
Net change in fund balance	1,473	1,473	124	(1,349)
Fund balance – beginning of year			<u>23</u>	
Fund balance – end of year			<u>\$ 147</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**DEBT SERVICE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual Amounts</u></b>	
<b>Revenues:</b>				
Special assessments	\$ 34,000	\$ 34,000	\$ 33,213	\$ (787)
Interest	<u>10,000</u>	<u>10,000</u>	<u>10,485</u>	<u>485</u>
Total revenues	44,000	44,000	43,698	(302)
<b>Expenditures:</b>				
Debt service	<u>53,623</u>	<u>53,623</u>	<u>53,623</u>	<u>          </u>
Net change in fund balance	(9,623)	(9,623)	(9,925)	(302)
Fund balance – beginning of year			<u>70,344</u>	
Fund balance – end of year			<u>\$ 60,419</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENTS OF NET ASSETS**

**PROPRIETARY FUND**

**March 31, 2006 and 2005**

	<b>Business-Type Activities – Enterprise Fund</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 434,635	\$ 292,409
<b>Receivables:</b>		
Special assessment	36,142	33,457
Due from other funds	<u>                    </u>	<u>8,833</u>
Total current assets	<u>470,777</u>	<u>334,699</u>
<b>Noncurrent assets:</b>		
Special assessment receivable	<u>2,319,366</u>	<u>2,503,310</u>
<b>Capital assets:</b>		
Sewer system	2,908,687	2,783,049
Less: Accumulated depreciation	<u>(78,515)</u>	<u>(5,798)</u>
Total capital assets	<u>2,830,172</u>	<u>2,777,251</u>
Total assets	<u>\$ 5,620,315</u>	<u>\$ 5,615,260</u>
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Bonds payable	33,779	\$ 33,779
Loan payable – SRF	<u>90,000</u>	<u>90,000</u>
Total current liabilities	<u>123,779</u>	<u>123,779</u>
<b>Noncurrent liabilities:</b>		
Bonds payable	789,833	823,611
Loan payable – SRF	1,556,988	1,523,811
Deferred special assessments	<u>2,319,366</u>	<u>2,503,310</u>
Total noncurrent liabilities	<u>4,666,187</u>	<u>4,850,732</u>
Total liabilities	<u>4,789,966</u>	<u>4,974,511</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	359,572	306,050
Unrestricted	<u>470,777</u>	<u>334,699</u>
Total net assets	<u>\$ 830,349</u>	<u>\$ 640,749</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUND**

**For the Years Ended March 31, 2006 and 2005**

	<b>Business-Type Activities – Enterprise Fund</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Operating revenues:</b>		
Sewer usage fee	<u>42,471</u>	<u>\$ 3,409</u>
Total operating revenues	<u>42,471</u>	<u>3,409</u>
<b>Operating expenses:</b>		
Operation and maintenance expense	22,888	3,322
Depreciation	72,717	5,798
Miscellaneous	<u>11</u>	<u>12</u>
Total operating expenses	<u>95,616</u>	<u>9,132</u>
Operating loss	<u>(53,145)</u>	<u>(5,723)</u>
<b>Nonoperating revenues (expenses):</b>		
Special assessments	205,161	146,439
Interest income	112,385	128,594
Interest expense	<u>(74,801)</u>	<u>(73,356)</u>
Total nonoperating revenues (expenses)	<u>242,745</u>	<u>201,677</u>
Change in net assets	189,600	195,954
Total net assets – beginning of year	<u>640,749</u>	<u>444,795</u>
Total net assets – end of year	<u>\$ 830,349</u>	<u>\$ 640,749</u>

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND

For the Years Ended March 31, 2006 and 2005

DECREASE IN CASH AND CASH EQUIVALENTS

	<b>Business-Type Activities – Enterprise Fund</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 42,471	\$ 3,409
Cash paid to suppliers and employees	<u>(14,066)</u>	<u>(3,334)</u>
Net cash provided by operating activities	<u>28,405</u>	<u>75</u>
<b>Cash flows from capital and related financing activities:</b>		
Special assessments	202,476	133,001
Capital expenditures	(125,638)	(327,268)
Bonds/loan paid off	(123,779)	(108,877)
Interest expense	(74,801)	(104,727)
Loan proceeds	<u>123,178</u>	<u>124,297</u>
Net cash used in capital and related financing activities	<u>1,436</u>	<u>(283,574)</u>
<b>Cash flows from investing activities:</b>	<u>112,385</u>	<u>128,594</u>
Interest income		
Net cash provided by investing activities	<u>112,385</u>	<u>128,594</u>
Increase (decrease) in cash and cash equivalents	142,226	(154,905)
Cash and cash equivalents – beginning of year	<u>292,409</u>	<u>447,314</u>
Cash and cash equivalents – end of year	<u>\$ 434,635</u>	<u>\$ 292,409</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating loss	\$ (53,145)	\$ (5,723)
<b>Adjustments to reconcile net operating loss to net cash provided by operating activities:</b>		
Depreciation expense	72,717	5,798
<b>Decrease in due from other funds</b>	<u>8,833</u>	
Total adjustments	<u>81,550</u>	<u>5,798</u>
Net cash provided by operating activities	<u>\$ 28,405</u>	<u>\$ 75</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENTS OF NET ASSETS**

**FIDUCIARY FUND**

**March 31, 2006 and 2005**

		<u><b>AGENCY FUND</b></u>	
		<u><b>Tax Account</b></u>	
		<u><b>2006</b></u>	<u><b>2005</b></u>
<b>ASSETS:</b>			
Cash		\$ <u>5</u>	\$ <u>59,602</u>
Total assets		\$ <u>5</u>	\$ <u>59,602</u>
<b>LIABILITIES:</b>			
Due to other funds		\$ <u>5</u>	\$ <u>59,602</u>
Total liabilities		\$ <u>5</u>	\$ <u>59,602</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**FIDUCIARY FUND – TAX ACCOUNT**

**For the Year Ended March 31, 2006**

	<b><u>Balance</u></b> <b><u>April 1, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>March 31, 2006</u></b>
<b><u>ASSETS:</u></b>				
Cash	\$ 59,602	\$ 1,202,196	\$ 1,261,793	\$ 5
Total assets	<u>\$ 59,602</u>	<u>\$ 1,202,196</u>	<u>\$ 1,261,793</u>	<u>\$ 5</u>
 <b><u>LIABILITIES:</u></b>				
Due to other funds	\$ 59,602	\$ 1,202,196	\$ 1,261,793	\$ 5
Total liabilities	<u>\$ 59,602</u>	<u>\$ 1,202,196</u>	<u>\$ 1,261,793</u>	<u>\$ 5</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Palmyra Township, Lenawee County, Michigan (the "Township") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective April 1, 2004, Palmyra Township, Lenawee County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Palmyra Township has elected to implement the general provisions of the statement.

**A. Reporting Entity**

The Township of Palmyra is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Palmyra Township as a primary government. There are no component units to the Township.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major governmental funds and a major enterprise fund are reported as separate columns in the fund financial statements.

PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**The government reports the following major governmental funds:**

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

The *Debt Service Fund* accounts for the servicing of general long-term debt and not being financed by Proprietary or Nonexpendable Trust Funds.

The *Permanent Fund (Cemetery Perpetual Care)* is used to account for revenues received which are held in perpetuity and income derived is restricted for the care and operations of the cemetery.

**The government reports the following major proprietary fund:**

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Additionally, the government reports the following fund types:**

The *Fiduciary Funds – Trust and AgencyType Funds* are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The *Agency Fund (Tax Account)* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Sewer Fund), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund relate to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, liabilities, and net assets or equity.**

**1. Cash and investments**

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2006.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

Properties are assessed as of December 31 and the tax levy is December 1 of the following year. The tax levy of December 1, 2005 is revenue in the Township's fiscal year ended March 31, 2006.

The Township had a general tax millage of .9363 for 2005. The Township's maximum allowable millage is 1.000 mills.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, fire vehicles and equipment, and sewer system) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and sewer system of the Township are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment and furniture	10 – 20
Fire vehicles	10 – 20
Fire equipment	10 – 20
Sewer system	40

**4. Long-term obligations**

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**5. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**B. Excess of expenditures over appropriations in budgetary funds**

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
<b>General Government:</b>			
Township Board	\$ 41,200	\$ 85,994	\$ 44,794
Cemetery		350	350
Ordinance Enforcement	3,500	3,984	484
<b>Public Safety:</b>			
Fire Department and Ambulance Service	106,000	126,264	20,264
Street Lights	4,000	4,061	61
<b>Total Expenditures</b>	<b>\$ 461,700</b>	<b>\$ 483,900</b>	<b>\$ 22,200</b>

These additional expenditures were funded by the fund balance of the General Fund.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

**Primary Government**

**Deposits.** At year end, the carrying value of the Township's deposits was \$639,730 and the bank balance was \$642,663. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Township or by its agent in the Township's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Township's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Township's name.)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Township increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u><b>CATEGORIES</b></u>			
	<u><b>1</b></u>	<u><b>2</b></u>	<u><b>3</b></u>	<u><b>Total</b></u>
Checking	<u>\$ 110,798</u>	<u>\$ -</u>	<u>\$ 531,865</u>	<u>\$ 642,663</u>

Bank balances shown in Category 1 are insured by Federal Depository Insurance.

All deposits are with banks located in Michigan as required by statutes.

**Primary Government**

**Investments.** The Township's investments are classified in the following three categories of credit risk: (1) Insured or registered, or securities held by the Township or its agent in the Township's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name. (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

The Township had investments with carrying value and bank balance of \$528,490 at year end.

	<u><b>CATEGORIES</b></u>			
	<u><b>1</b></u>	<u><b>2</b></u>	<u><b>3</b></u>	<u><b>Total</b></u>
U.S. Savings Bonds	\$ 46,000	\$	\$	\$ 46,000
Flex Account, 2.71%	100,000		43,348	143,348
Certificate of Deposit, 2.92%, due 8-19-06	100,000		239,142	339,142
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 246,000</u>	<u>\$ -</u>	<u>\$ 282,490</u>	<u>\$ 528,490</u>

The Township is subject to custodial credit risk and also concentration of credit risk on its deposits and investments because a majority of deposits and investments are with one bank and a large portion of the value is uninsured.

**B. Receivables**

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u><b>General Fund</b></u>	<u><b>Debt Service</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>Receivables:</b>				
Taxes	\$ 3,533	\$	\$	\$ 3,533
Accounts	15,948			15,948
Special Assessments		214,219	2,355,508	2,569,727
Intergovernmental	1,500			1,500
Sewer Projects	<u>14,454</u>	<u>          </u>	<u>          </u>	<u>14,454</u>
Gross receivables	35,435	214,219	2,355,508	2,605,162
Less: Allowance for uncollectibles	<u>(3,267)</u>	<u>          </u>	<u>          </u>	<u>(3,267)</u>
Net total receivables	<u>\$ 32,168</u>	<u>\$ 214,219</u>	<u>\$ 2,355,508</u>	<u>\$ 2,601,895</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital assets**

Capital asset activity for the year ended March 31, 2006 was as follows:

**Primary Government**

	<u>Balance April 1, 2005</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2006</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 93,898	\$ -	\$ -	\$ 93,898
Capital assets, being depreciated:				
Building and improvements	141,280			141,280
Furniture and equipment	11,925			11,925
Fire vehicles	398,140			398,140
Fire equipment	<u>122,102</u>	<u>30,000</u>		<u>152,102</u>
Total capital assets, being depreciated	<u>673,447</u>	<u>30,000</u>	<u>-</u>	<u>703,447</u>
Less: Accumulated depreciation for:				
Buildings and improvements	130,944	271		131,215
Furniture and equipment	4,467	1,151		5,618
Fire vehicles	230,798	14,005		244,803
Fire equipment	<u>43,497</u>	<u>7,824</u>		<u>51,321</u>
Total accumulated depreciation	<u>409,706</u>	<u>23,251</u>	<u>-</u>	<u>432,957</u>
Total capital assets, being depreciated, net	<u>263,741</u>	<u>6,749</u>	<u>-</u>	<u>270,490</u>
Governmental activities, capital assets – net	<u>\$ 357,639</u>	<u>\$ 6,749</u>	<u>\$ -</u>	<u>\$ 364,388</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>Balance April 1, 2005</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2006</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Sewer system	\$ 2,783,049	\$ 125,638	\$ -	\$ 2,908,687
Total capital assets, being depreciated	<u>2,783,049</u>	<u>125,638</u>	<u>-</u>	<u>2,908,687</u>
Less: Accumulated depreciation for:				
Sewer system	<u>5,798</u>	<u>72,717</u>	<u>-</u>	<u>78,515</u>
Total accumulated depreciation	<u>5,798</u>	<u>72,717</u>	<u>-</u>	<u>78,515</u>
Total capital assets, being depreciated – net	<u>\$ 2,777,251</u>	<u>\$ 52,921</u>	<u>\$ -</u>	<u>\$ 2,830,172</u>

Depreciation expense charged to functions is as follows:

**Governmental activities:**

General Government	\$ 1,423
Public Safety	<u>21,828</u>

Total depreciation expense – governmental activities \$ 23,251

**Business-type activities:**

Sewer system	<u>\$ 72,717</u>
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Total depreciation expense –  
business-type activities \$ 72,717

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund receivables, payables, and transfers**

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Cemetery operating	\$ 1,150	General	\$ 1,150
General	<u>5</u>	Tax account	<u>5</u>
	<u>\$ 1,155</u>		<u>\$ 1,155</u>

Interfund transfers:

	<u>Transfers In</u>	
	<u>Cemetery Operating</u>	<u>Total</u>
<b>Transfers out:</b>		
General Fund	\$ 8,500	\$ 8,500
Cemetery Perpetual Care	<u>5,588</u>	<u>5,588</u>
	<u>\$ 14,088</u>	<u>\$ 14,088</u>

The purpose of these transfers was to support operations of the cemetery.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 4. RESTRICTED FUNDS**

**Fire Department Funds** - Fire Department Funds are funded by donations from third parties for Fire Department related activity. Expenditures are made only after consulting the Palmyra Fire Department.

The activity of the Funds for 2005-06 was:

	<b>Fire Apparatus And Operating</b>	<b>Fire Department Savings</b>
Balance - April 1, 2005	\$ 103,704	\$ 551
Donation	15,773	
Interest income	5,048	
Equipment purchases	<u>(30,000)</u>	
Balance - March 31, 2006	<u>\$ 94,525</u>	<u>\$ 551</u>

**Impact Fees Fund** - The Impact Fees Fund is funded by fees collected from the landfill operator in Palmyra Township. The funds collected are to be expended for the public health, safety, or welfare of the citizens of the Township.

The activity in this Fund for 2005-06 was:

Balance - April 1, 2005	\$ 322,512
Fees collected	74,952
Public safety expenses	<u>(17,705)</u>
Balance - March 31, 2006	<u>\$ 379,759</u>

The **State Right of Way Fund** is funded by contributions from utility companies under the Metro Act.

Balance - April 1, 2005	\$ 3,702
Annual maintenance fee	<u>3,256</u>
Balance - March 31, 2006	<u>\$ 6,958</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 5. LONG-TERM DEBT**

Palmyra Township has issued bonds to construct a water system in a subdivision (Manor Farms) of the Township. The water system is owned, operated, and maintained by Lenawee County. This bond issue of \$300,000, dated July 1, 1996, is to be fully funded by special assessments. The Township has pledged its full faith and credit as secondary funding.

Palmyra Township has issued bonds for the construction of a sewer system located on East Maumee Street and Parr Highway. The bond issue of \$155,000, dated April 1, 1997, is to be fully funded by special assessment. The Township has pledged its full faith and credit as secondary funding. The sewer system is owned, operated, and maintained by Lenawee County.

The Debt Service requirements of the \$300,000 Bond Issue are as follows:

**TOWNSHIP OF PALMYRA, MICHIGAN**

**1996 SPECIAL ASSESSMENT BONDS**

**(MANOR FARMS)**

**(LIMITED TAX GENERAL OBLIGATION)**

<b><u>Year Ended March 31,</u></b>	<b><u>Principal Paid</u></b>	<b><u>Interest Rate</u></b>	<b><u>Interest Paid</u></b>	<b><u>Total</u></b>
2007	\$ 20,000	5.15%	\$ 8,498	\$ 28,498
2008	15,000	5.20	7,540	22,540
2009	15,000	5.20	6,760	21,760
2010	20,000	5.25	6,038	26,038
2011	15,000	5.25	4,988	19,988
2012	15,000	5.25	4,200	19,200
2013	15,000	5.35	3,478	18,478
2014	15,000	5.40	2,700	17,700
2015	15,000	5.45	1,908	16,908
2016	15,000	5.50	1,100	16,100
2017	<u>5,000</u>	5.60	<u>280</u>	<u>5,280</u>
	<u>\$ 165,000</u>		<u>\$ 47,490</u>	<u>\$ 212,490</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 5. LONG-TERM DEBT (Continued)**

The Debt Service requirements of the \$155,000 Bond Issue are as follows:

**TOWNSHIP OF PALMYRA, MICHIGAN  
SPECIAL ASSESSMENT BONDS  
(APRIL 1, 1997)  
(LIMITED TAX GENERAL OBLIGATION)**

<b>Year Ended March 31,</b>	<b>Principal Paid</b>	<b>Interest Rate</b>	<b>Interest Paid</b>	<b>Total</b>
2007	\$ 10,000.00	.0525%	\$ 4,817.50	\$ 14,817.50
2008	10,000.00	.0530	4,292.50	14,292.50
2009	10,000.00	.0530	3,765.00	13,765.00
2010	5,000.00	.0530	3,367.50	8,367.50
2011	10,000.00	.0530	2,970.00	12,970.00
2012	10,000.00	.0535	2,440.00	12,440.00
2013	5,000.00	.0545	2,041.25	7,041.25
2014	10,000.00	.0545	1,635.00	11,635.00
2015	10,000.00	.0545	1,090.00	11,090.00
2016	5,000.00	.0545	681.25	5,681.25
2017	5,000.00	.0545	408.75	5,408.75
2018	<u>5,000.00</u>	.0545	<u>136.25</u>	<u>5,136.25</u>
	<u>\$ 95,000.00</u>		<u>\$ 27,645.00</u>	<u>\$ 122,645.00</u>

Palmyra Township is involved in the acquiring and construction of a sewer system known as the Central Lenawee Sewage Disposal System which is located in the Township of Palmyra and in the Charter Township of Madison. Each Township will own their respective portion of the System.

The Central Lenawee Sewage Disposal System is being funded by two separate debt obligations involving Palmyra Township.

One debt obligation is a bond issue totaling \$4,410,000 of which Palmyra Township is responsible for 19.87% of the debt service obligation. The other is a loan from the State Revolving Fund (SRF) totaling \$1,875,000 for which Palmyra Township is totally responsible.

Both debts will be paid through special assessments levied by the Township.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 5. LONG-TERM DEBT (Continued)**

**COUNTY OF LENAWEЕ, STATE OF MICHIGAN  
SEWAGE DISPOSAL BONDS, SERIES 2003A  
(CENTRAL LENAWEЕ SEWAGE DISPOSAL SYSTEMS)  
(MAY 1, 2003)**

The Township's Debt Service requirements of the \$4,410,000 Bond Issue. Palmyra Township's portion (19.87%) is shown on the schedule below.

<b><u>Year Ended March 31,</u></b>	<b><u>October 1 Principal</u></b>	<b><u>April 1 Interest</u></b>	<b><u>October 1 Interest</u></b>	<b><u>Total</u></b>
2007	\$ 33,779.00	\$ 16,321.96	\$ 16,321.96	\$ 66,422.92
2008	34,772.50	15,815.28	15,815.28	66,403.06
2009	35,766.00	15,293.69	15,293.69	66,353.38
2010	35,766.00	14,712.49	14,712.49	65,190.98
2011	37,753.00	14,108.94	14,108.94	65,970.88
2012	38,746.50	13,471.86	13,471.86	65,690.22
2013	39,740.00	12,793.80	12,793.80	65,327.60
2014	41,727.00	12,068.54	12,068.54	65,864.08
2015	43,714.00	11,286.16	11,286.16	66,286.32
2016	44,707.50	10,444.67	10,444.67	65,596.84
2017	46,694.50	9,561.69	9,561.69	65,817.88
2018	48,681.50	8,616.13	8,616.13	65,913.76
2019	50,668.50	7,605.99	7,605.99	65,880.48
2020	52,655.50	6,529.28	6,529.28	65,714.06
2021	55,636.00	5,384.02	5,384.02	66,404.04
2022	58,616.50	4,160.03	4,160.03	66,936.56
2023	60,603.50	2,841.16	2,841.16	66,285.82
2024	<u>63,584.00</u>	<u>1,462.43</u>	<u>1,462.43</u>	<u>66,508.86</u>
	<u>\$ 823,611.50</u>	<u>\$ 182,478.12</u>	<u>\$ 182,478.12</u>	<u>\$ 1,188,567.74</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 5. LONG-TERM DEBT** (Continued)

**PALMYRA TOWNSHIP, MICHIGAN**

**STATE REVOLVING FUND (SRF) LOAN**

**PROJECT 5174-01**

**(JUNE 26, 2003)**

The Debt Service requirements of the \$1,875,000 loan (current balance \$1,646,988 at March 31, 2006) are as follows:

<u>Year Ended March 31,</u>	<u>October 1 Principal</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>Total</u>
2007	\$ 90,000.00	\$ 19,047.64	\$ 19,047.64	\$ 128,095.28
2008	90,000.00	17,922.64	17,922.64	125,845.28
2009	90,000.00	16,797.64	16,797.64	123,595.28
2010	95,000.00	15,672.64	15,672.64	126,345.28
2011	95,000.00	14,485.14	14,485.14	123,970.28
2012	95,000.00	13,297.64	13,297.64	121,595.28
2013	95,000.00	12,110.14	12,110.14	119,220.28
2014	95,000.00	10,922.64	10,922.64	116,845.28
2015	95,000.00	9,735.14	9,735.14	114,470.28
2016	95,000.00	8,547.64	8,547.64	112,095.28
2017	95,000.00	7,360.14	7,360.14	109,720.28
2018	95,000.00	6,172.64	6,172.64	107,345.28
2019	95,000.00	4,985.14	4,985.14	104,970.28
2020	95,000.00	3,797.64	3,797.64	102,595.28
2021	95,000.00	2,610.14	2,610.14	100,220.28
2022	95,000.00	1,422.64	1,422.64	97,845.28
2023	95,000.00	235.14	235.14	95,470.28
2024	<u>95,000.00</u>	<u>(952.36)</u>	<u>(952.36)</u>	<u>93,095.28</u>
	<u>\$ 1,695,000.00</u>	<u>\$ 164,170.02</u>	<u>\$ 164,170.02</u>	<u>\$ 2,023,340.04</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 5. LONG-TERM DEBT** (Continued)

The schedule of long-term liability activity is as follows:

	<b>Water Fund 1996 Special Assessment Bonds</b>	<b>Sewer Fund 1997 Special Assessment Bonds</b>	<b>Sewer Fund Sewage Disposal Bonds Series 2003A</b>	<b>Sewer Fund SRF Loan</b>	<b>Total</b>
Balance – April 1, 2005	180,000	115,000	857,390	1,613,811	2,766,201
Increases				123,177	123,177
Decreases	<u>(15,000)</u>	<u>(20,000)</u>	<u>(33,779)</u>	<u>(90,000)</u>	<u>(158,779)</u>
Balance – March 31, 2006	165,000	95,000	823,611	1,646,988	2,730,599
Less: Current portion	<u>(20,000)</u>	<u>(10,000)</u>	<u>(33,779)</u>	<u>(90,000)</u>	<u>(153,779)</u>
Total due after one year	<u>\$ 145,000</u>	<u>\$ 85,000</u>	<u>\$ 789,832</u>	<u>\$ 1,556,988</u>	<u>\$ 2,576,820</u>

Total long term debt obligations at March 31, 2006 were as follows:

<b>Year Ended March 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 153,779	\$ 83,514	\$ 237,293
2008	149,773	79,308	29,081
2009	150,766	74,708	225,474
2010	155,766	70,176	225,942
2011	157,753	65,146	222,899
2012-2016	798,635	251,170	1,049,805
2017-2021	744,336	126,071	870,407
2022-2024	<u>467,804</u>	<u>18,338</u>	<u>486,142</u>
	<u>\$ 2,778,612</u>	<u>\$ 768,431</u>	<u>\$ 3,547,043</u>

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**COMBINING BALANCE SHEET**

**DEBT SERVICE FUND**

**March 31, 2006  
With Comparative Totals for March 31, 2005**

<u><b>ASSETS</b></u>	<u><b>Manor Farms</b></u>	<u><b>Maumee Street and Parr Highway</b></u>	<u><b>Totals (Memorandum Only)</b></u>	
			<u><b>2006</b></u>	<u><b>2005</b></u>
Cash	\$ 46,098	\$ 9,601	\$ 55,699	\$ 67,354
Special assessment receivable	129,614	79,885	209,499	237,099
Delinquent special assessment receivable	<u>3,673</u>	<u>1,047</u>	<u>4,720</u>	<u>5,263</u>
Total assets	<u>\$ 179,385</u>	<u>\$ 90,533</u>	<u>\$ 269,918</u>	<u>\$ 309,716</u>
 <u><b>LIABILITIES AND FUND EQUITY</b></u>				
Interest payable	\$	\$	\$	\$ 2,273
Deferred revenue - special assessment	<u>129,614</u>	<u>79,885</u>	<u>209,499</u>	<u>237,099</u>
Total liabilities	129,614	79,885	209,499	239,372
Fund balance – restricted	<u>49,771</u>	<u>10,648</u>	<u>60,419</u>	<u>70,344</u>
Total liabilities and fund equity	<u>\$ 179,385</u>	<u>\$ 90,533</u>	<u>\$ 269,918</u>	<u>\$ 309,716</u>

See independent auditors' report.

**PALMYRA TOWNSHIP  
LENAWEE COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES**

**DEBT SERVICE FUNDS**

**For the Year Ended March 31, 2006  
With Comparative Totals for March 31, 2005**

	<u>Manor Farms</u>	<u>Maumee Street and Parr Highway</u>	<u>Totals (Memorandum Only)</u>	
			<u>2006</u>	<u>2005</u>
<b>Revenues:</b>				
Special assessment revenue	\$ 21,139	\$ 12,074	\$ 33,213	\$ 18,530
Interest	<u>9,964</u>	<u>521</u>	<u>10,485</u>	<u>16,985</u>
Total revenues	<u>31,103</u>	<u>12,595</u>	<u>43,698</u>	<u>35,515</u>
<b>Expenditures:</b>				
Interest and principal	25,716	27,883	53,599	40,514
Bank charges	<u>12</u>	<u>12</u>	<u>24</u>	<u>24</u>
Total expenditures	<u>25,728</u>	<u>27,895</u>	<u>53,623</u>	<u>40,538</u>
Increase (deficiency) of revenues over (under) expenditures	5,375	(15,300)	(9,925)	(5,023)
Fund balances - beginning of year	<u>44,396</u>	<u>25,948</u>	<u>70,344</u>	<u>75,367</u>
Fund balances - end of year	<u>\$ 49,771</u>	<u>\$ 10,648</u>	<u>\$ 60,419</u>	<u>\$ 70,344</u>

See independent auditors' report.